

The Color of Wealth

The Story Behind the U.S. Racial Wealth Divide

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"Wealth is not about right now. It's about how it accumulates over generations."

Notes of interest:

1. The book agrees with us that "wealth" is not just money and property. While it includes pensions, stock, works of art, homes, etc., it also is defined to include "family, social, and community networks, education and skills, public infrastructure and a health environment, religion and spirituality."
2. "Income" (the indicator typically used, even by us in SOWs) to reflect "wealth" is said to be a *short term* measure that reflects the effects of education, effort, and talent, as well as the impacts of opportunity and discrimination. I liked income being referred to as a short term measure, because doing so emphasizes the fact that in any community, what you have right now could be fleeting if your workforce – even the ones making a lot of money right now – are vulnerable. Race and ethnicity make you more vulnerable, even if you have education and skills. In short, being white is an asset in itself.
3. *Income* differences, the authors say, are dwarfed by *wealth* differences, and the latter are greatly affected by the historical policy environment. Minorities have fewer of the kinds of assets (home ownership, education, and so forth) that can help a family through downtimes. A minority family could conceivably have a higher income than a white family in the here and now, and yet still have significantly less *wealth*. Education policies, mortgage lending policies, and many other things have impacted their ability to accumulate these forms of wealth over generations.
4. Choose your parents wisely since 80% of assets come from transfers from prior generations. Sounds like even if a CSW project produces good outcomes for an individual family, we are probably still only playing with the 20%!
5. Wealth divides are greater in the US than other developed countries because of our history of discrimination, segregation, opinions, attitudes, and historical policies. It has been estimated that differences in income, occupation, and education only account for 29% of the difference between white and black families' assets (in 1988) and that over 70% of the difference was related to race. Sounds like we could not truly impact wealth differences in a community unless we impact attitudes of the majority. You can't just fight poverty; you also have to fight attitudes. The book cites some studies that were done to show that subtle discrimination is still alive and well in the U.S. even today.

6. The book addresses in separate chapters how the wealth divide impacts Native Americans, Blacks, Latinos, Asian, and European Americans. The co-authors themselves come from different racial/ethnic groups.
7. Recommended policy steps include:
 - ◆ Equity in education funding (mechanisms for funding public K-12 education right now favor the wealthy)
 - ◆ More affordable postsecondary options
 - ◆ Allowing longer education/training under TANF
 - ◆ Universal health care coverage (nonwhites more likely to be uninsured, and a single health crisis can bankrupt you)
 - ◆ Raising the minimum wage
 - ◆ Setting a maximum wage (some countries have a maximum ratio of CEO pay to worker pay)
 - ◆ Channeling a portion of EITC refunds into basic savings accounts
 - ◆ Continued affirmative action
 - ◆ Promote asset building opportunities. The Asset Policy Initiative of California has designed a simple framework:
 - **Asset Accumulation.** E.g., IDAs and a 2005 bill called the American Saving for Personal Investment, Retirement, and Education Act that proposed a \$500 KIDS account be established for every newborn, with supplemental funds for children in low income households.
 - **Asset Leveraging.** E.g., Rotating Savings and Credit Associations that have been a good strategy for immigrant families to start small businesses. Also expanding opportunities for home ownership.
 - **Asset Preservation.** E.g., mortgage foreclosure prevention and pension protection.
 - **Asset Creation.** E.g., making loans to groups rather than individuals, making reparations.

Implications

- A holistic approach to asset development implies we deal with attitudes and perceptions. Developing skills and knowledge alone isn't going to be the sole solution for many populations. The attitude of community residents will make a difference in success.
- The book points out a need to raise awareness of on-going discrimination and the impacts of old discrimination on generational wealth. Many people think current laws have put discrimination to rest, but it is still there. Gently helping to raise awareness would be helpful.

- We would have to tread carefully; emotions run high on these kinds of issues. The book suggested, for example, that the proposed newborn KIDS account could be targeted just to children of color, which would give heartburn to poor whites, and any time the word “reparations” is brought up, there is a gut reaction. Policies that level the playing field (such as changing the funding mechanisms for K-12) would be more politically palatable than policies that look like reverse discrimination.